

3A/6/2009-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

New Delhi, the December 18, 2009.

OFFICE MEMORANDUM

Subject: 20th Meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

The undersigned is directed to enclose the Record of Discussion of the 20th meeting of Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), chaired by the Additional Secretary (Economic Affairs), held on 14th December, 2009.



(Abhijit Phukon)
Deputy Director (PPP)

To

1. Ms. Meena Agarwal, Joint Secretary, Department of Expenditure.
2. Shri Ravi Mittal, Adviser, Planning Commission, Yojana Bhavan, New Delhi.
3. Shri P.K. Tripathi, Joint Secretary, Department of Road Transport and Highways, Transport Bhavan, New Delhi.
4. Shri Mohammad Suleman, Secretary, Public Works Department, Government of Madhya Pradesh, Bhopal.
5. Shri G.M. Kandhare, Secretary (Works), Government of Maharashtra, Public Works Department, Mantralaya, Mumbai-400032.
6. Principal Secretary, Government of Karnataka, Infrastructure Development Department, Karnataka Government Secretariat, Vikasa Soudha, Bangalore (Fax 08022281123).
7. Shri Pratyaya Amrit, Secretary, Road Construction Department, Government of Bihar, Patna.

Copy to:

- a) PPS to AS(EA)
- b) PS to Joint Secretary (Infrastructure)

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**Empowered Institution for the Scheme to Support Public Private
Partnerships in Infrastructure**

20th Meeting on December 14, 2009

Record Note of Discussions

The twentieth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs was held on December 14, 2009. The list of participants is annexed.

2. At the outset, the Chairperson welcomed the participants and noted that the EI would consider nine proposals; one proposal for final approval of viability gap funding from Ministry of Road Transport and Highways and eight proposals for 'in principle' approval from the States of Madhya Pradesh, Maharashtra, Karnataka and Bihar.

Agenda Item 1: Proposal from Ministry of Road Transport and Highways (MoRTH) – for final approval: Development of Bewar-Gomti section of NH 8

3. The EI noted that MoRTH has proposed development of two-lane road at Bewar-Gomti Section in Rajasthan, a non-NHDP stretch. The project was considered by the EI in its 18th meeting held on July 2, 2009 and granted 'in principle' approval. The project, on completion of bidding had been awarded M/s ITNL. ITNL designated ITNL Road Infrastructure Road Development Company Limited (IRIDCL) as the Special Purpose Vehicle to implement the project. The Concession Agreement was signed in April, 2009. The Union Bank has been appointed as the Lead Financial Institution (LFI). Term loan amounting to Rs.100 crore has been recommended for sanction by LFI in October, 2009. Accordingly, MoRTH has sought final approval for grant of Viability Gap Funding (VGF) of Rs.39 crore.

4. It was noted that the total project cost, as estimated by the LFI, is Rs.355 crore as against Rs.195 crore in the project DCA. The representative of MoRTH clarified that the amount was as per the executed Development Agreement. The cost has been estimated based on bill of quantities of

different items. The cost taken by the developer in 2009 was different from the rates prevailing at the time of estimation of the project cost by MoRTH. Adviser, Planning Commission noted that the variance in the cost could also be in view of the fact that the execution of the project envisaged two-stage augmentation. As general practice, MoRTH takes into account the capital cost of the first stage, viz., two laning of the highway. However, the developer would have taken into account the cost of two laning the project as well as the subsequent cost of four laning the project stretch. MoRTH was requested to ascertain the same and inform the members of the EI.

(Action: MoRTH)

5. The EI noted that the Scheme for Support to PPPs in infrastructure defined the total project cost as the lowest of the cost estimated by the Sponsoring Authority or the project cost as sanctioned by the Lead Financial Institution or as actually expended, as provided for in the Scheme. Therefore, the VGF granted approval would be determined by the project cost, as estimated by the Sponsoring Authority and indicated in the project Concession Agreement, viz., 20 percent of Rs. 195 crore. The EI granted final approval to the proposal for viability gap funding of Rs. 39 crore.

(Action: MoRTH)

Agenda Item 2: Proposals for 'in principle' approval from Government of Madhya Pradesh

- a. **Two laning of Ujjain-Unhel-Nagda-Jaora road (Km 59.400 of SH 27 to Km 132.800 of SH 31)**
- b. **Two laning of Satna-Chitrakoot road of SH-11**
- c. **Construction of new four lane alignment connecting Lebad to Manpur (SH 31 to NH 3)**

6. The representative of Madhya Pradesh Road Development Corporation (MPRDC) informed that the State Government has revised the project documents of the proposals in the light of the recommendations of the B.K. Chaturvedi Committee. It was noted that all observations on the project documents had been incorporated. Adviser, Planning Commission sought confirmation that notification of fee had been made a Condition Precedent in the project DCAs. The representative of MPRDC clarified that the fee notification would be appended to the project DCAs before issue of RfP to the shortlisted bidders. It was also confirmed that two-stage bid process was being observed. The EI noted that all outstanding issues in respect of the projects had been addressed and requested MPRDC to justify the proposed augmentation of the project highways based on traffic projections.

Two laning of Ujjain-Unhel-Nagda-Jaora road

7. The representative of MPRDC explained that the project highway would connect Indore with Ratlam, resulting in saving in travel distance by 30 km. It was expected that the proposed stretch, which was currently not catering to any commercial traffic would become an important link highway after the proposed augmentation. Therefore, the traffic on the project, on reaching COD, was likely to be around 8,000 PCUs.

8. The EI granted 'in-principle' approval to the proposal for Viability Gap Funding upto Rs. 37.858 crore.

(Action: MPRDC)

Two laning of Satna-Chitrakoot road of SH-11

9. The representative of MPRDC explained that the project stretch was currently a single lane road. It was explained that highway traverses through an area with prevalence of dacoity. The highway was expected to be more secure through the proposed strengthening and improvement of the Ghat sections and likely to encourage movement of commercial traffic. It was expected that there would be 100 percent increase in traffic once the widening and strengthening of the highway is completed (i.e. on COD).

10. The EI granted 'in-principle' approval to the proposal for Viability Gap Funding upto Rs. 24.356 crore.

(Action: MPRDC)

Construction of new four lane alignment connecting Lebad to Manpur

11. The representative of MPRDC explained that the existing alignment was a two lane highway passing through the Ghats and it was not possible to widen it to a four lane highway. At places, the road was very steep, resulting in difficulties in movement of heavy commercial vehicles. MPRDC has, therefore, proposed the four laning of the new alignment to connect the two existing four lane alignments of SH-31 and NH-3. The project is expected to provide a direct connectivity to the traffic on NH-3 from Mumbai to Delhi. Therefore, the traffic on the project, on reaching COD, was likely to be around 14,020 PCUs.

12. The representative of MPRDC stated that initially the project cost was Rs. 206.53 crore (including Rs.18.13 crore as cost of land acquisition and shifting of utilities). However, the State Government had to slightly alter the alignment of the project stretch and also provide for 1 ROB. Hence, the project cost had been revised to Rs.218.41 crore (including Rs.18.13 crore as cost of land acquisition and shifting of utilities). The EI approved the revised Total Project Cost for the purposes of the DCA as Rs.200.10 crore and granted 'in-

principle' approval to the proposal for Viability Gap Funding upto Rs. 40.02 crore.

(Action: MPRDC)

Agenda Item 3: Proposals from Government of Maharashtra for grant of 'in-principle' approval

- a. **Four laning of Jam-Warora-Chandrapur road km 0.000 to km 400 (SH 264) Jam to Warora**
- b. **Four laning of Karanji-Wani-Ghuggus Chandrapur road in Yavatmal and Chandrapur Distt**
- c. **Four laning of Nagpur Bori Tuljapur Road MSH 3 in Yavatmal District**

13. The EI noted that State Government had revised the project documents on the basis of the observations from the members of the EI. The EI noted that the outstanding issues in respect of the project documents were being addressed by the State Government. The representative of the State Government was requested to justify the proposed augmentation of the project highways based on traffic projections.

Four laning of Jam-Warora-Chandrapur road

14. The representative of the State Government presented the project proposal. It was explained that the project stretch is an important link connecting the State Highway and National Highway. The region had dense economic activity due to the location of power plants, cement and steel industry and coal mines. However, the project stretch in its current condition, was bottleneck to the smooth flow of traffic from Jamb to Warora. Fatal accidents were witnessed on the stretch due to the movement of heavy multi-axle vehicles on the dilapidated stretch. It was expected that with the development of the project highway would encourage flow of commercial traffic.

15. Adviser, Planning Commission indicated that the per unit project cost was reasonable. Therefore, the EI could consider granting 'in principle' approval to the project and enable the State Government to test the market appetite for the project.

16. The EI granted 'in principle' approval to the project for VGF upto Rs.44.72 crore.

(Action: Government of Maharashtra)

Four laning of Karanji-wani-Ghuggus Chandrapur road

17. The representative of the State Government informed that the State Government had earlier forwarded the project of four laning Wani bypass to Wani-Ghuggus Road for VGF support. The EI considered the project in its meeting held on February 2, 2009 and advised the State Government to revise the project structure to enhance project viability by bidding together a longer stretch, then being considered for bidding as two separate projects. Accordingly, the State Government had restructured the project and posed the instant proposal for VGF support.

18. The representative of State Government explained that the project stretch passed through a region with intense mining activity. The project stretch is also an important inter-state link, connecting Madhya Pradesh, Andhra Pradesh and Maharashtra and required strengthening and widening. The State Government proposed two laning the project stretch from Karanji to Wani (33 km.) and four lane the remaining stretch from Wani to Chandrapur (52 km) in accordance with the traffic projections.

19. The EI granted 'in-principle' approval to the proposal for Viability Gap Funding upto Rs. 99.75 crore.

(Action: Government of Maharashtra)

Four laning of Nagpur Bori Tuljapur Road MSH 3 in Yavatmal District

20. The EI noted that the State Government had revised the project documents and restructured the project in accordance with the observations of the members of the EI. It was now proposed to develop the project highway as two laned with paved shoulders for a project cost of Rs.485 crore. Adviser, Planning Commission noted that the revised project structure documents had not been examined by the members of EI and requested that decision on the proposal may be deferred to facilitate scrutiny of the revised documents.

21. It was decided that the Planning Commission would send the appraisal notes on the revised proposals. The proposal was deferred for consideration during the next meeting of the EI.

*(Action: Planning Commission and
Department of Economic Affairs)*

Agenda Item 4: Proposal from Government of Karnataka for grant of 'in principle' approval - Development of SH 132 from Bellary city to Chatra Gudi in Karnataka

22. It was noted that members of EI had sent appraisal of the project to the State Government. However, no response on the observations has been received. Certain concerns on the project structure required clarification from the Sponsoring Authority, before the project could be considered for grant of 'in principle' approval. It was noted that the representative of the State Government was not present in the meeting. The proposal was deferred for consideration during the next meeting of the EI.

*(Action: Government of Karnataka and
Department of Economic Affairs)*

Agenda Item 5: Proposal from Government of Bihar for grant of 'in principle' approval - Construction of green field bridge across river Ganga connecting Bakhtiyarpur

23. The EI noted that the State Government has proposed construction of a green field bridge across the river Ganga connecting NH-31 near Bakhtiyarpur and Shahpur Patori (6.5 km.) with an approach road extending upto NH-28 near Tejpur (42 km.). The proposal was considered by the EI in its 18th meeting held on July 2, 2009. The State Government was requested to explain the assumptions on the basis of which the figures on diversion of traffic to the Greenfield bridge had been arrived at. It was noted that the estimated traffic did not justify a four lane Bridge and that the project did not appear to be commercially viable. The State Government was requested to confirm the requirement of constructing a four lane bridge at the proposed location.

24. The representative of the State Government informed that they had provided a detailed response to the observations of the EI. Though the instant project was proposed to be built between two existing bridges, it was envisaged that there would be sufficient traffic on the instant bridge. Further, the existing Mahatma Gandhi Setu was a tolled facility and the rehabilitation of the super structures was being undertaken for implementation on PPP basis through revised toll rates. The other existing bridge across river Ganga at Mokamah was about 50 years old and was nearing the end of its design life.

25. The representative of the State Government indicated that the traffic potential on the bridge and the approach road is likely to be higher than the projected levels and that the State Government is committed to engineer a higher rate of socio-economic growth through increased accessibility for northern Bihar. Adviser, Planning Commission suggested that while there were some concerns about the extent of traffic diversion to the proposed four lane bridge, the State Government may be permitted to test the developer

interest by bidding the project; in case the bid response is tepid, the State Government can consider restructuring the project as a two lane facility.

26. The EI recommended the proposal for grant of 'in principle' approval for viability gap funding to the Empowered Committee. The State Government was allowed to proceed with shortlisting of bidders for the project.

*(Action: Government of Bihar and
Department of Economic Affairs)*

27. The meeting ended with a vote of thanks to the chair.

Ministry of Finance
Department of Economic Affairs

Empowered Institution for the Scheme to Support Public Private Partnerships in
Infrastructure

20th Meeting on December 14, 2009

List of participants

I. Department of Economic Affairs

1. Smt. L.M. Vas, Additional Secretary (*In Chair*)
2. Smt. Aparna Bhatia, Director

II. Department of Expenditure

3. Smt. Parma Sen, Director

III. Planning Commission

4. Shri Ravi Mital, Advisor
5. Shri K.R. Reddy, Joint Adviser

IV. Ministry of Road Transport and Highways

6. Shri Atul Kumar, Superintendent Engineer

V. Government of Madhya Pradesh

7. Shri Mohd. Suleman, Secretary & MD, Madhya Pradesh Road Development Corporation
8. Shri Neeraj Vijay, Dy. General Manager, Madhya Pradesh Road Development Corporation

VI. Government of Maharashtra

9. Shri D.N. Potdukhe, Chief Engineer
10. Shri M.N. Dekate, Deputy Secretary, Public Works Department
11. Shri V.R. Banginwar, Superintending Engineer, Yavatmal
12. Shri P.M. Kide, Superintending Engineer
13. Shri N.M. Bhatia, Resident Engineer
14. Shri A.D. Pohekar, Executive Engineer PWD, Chandrapur

VII. Government of Bihar

15. Shri Atish Chandra, Chairman, Bihar Rajya Pul Nirman Nigam, Patna
16. Shri G.C. Mishra, Bihar State Road Development Corporation, Patna
17. Shri Bhaskar Mishra, Liaison Officer, Road Construction Department